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Current Support Brief

SATELLITES EXTEND CREDITS TO THE USSR
FOR DEVELOPMENT OF FERTILIZER RAW MATERIAL BASE



CIA/RR CB 63-32

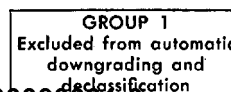
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SATELLITES EXTEND CREDITS TO THE USSR
FOR DEVELOPMENT OF FERTILIZER RAW MATERIAL BASE

Several European Satellite countries apparently have recently agreed to extend long-term credits to the USSR to cover their joint investment in the construction or expansion of three large combines producing mineral raw materials for fertilizers. The agreements, which are the first known to involve Satellite credits to the USSR, are described by Bloc sources as "concrete examples" of the implementation of CEMA recommendations for cooperation in expanding raw material production "through the financial participation of countries interested in receiving the products of those industries." 1/ In addition to ensuring future deliveries to the Satellites of needed fertilizers, these credits will provide valuable investment assistance to a priority sector of Soviet industry that is faltering badly in its attempts to meet expanding investment goals.

The following Soviet projects are to receive Satellite assistance: (1) the Soligorsk potassium fertilizer combine in Belorussia, 2/ (2) the Kingisepp phosphorite combine near Leningrad, 3/ and (3) an apatite combine on the Kola Peninsula. 4/ It is likely that all of the Satellites, with the exception of Rumania, will participate in developing at least one of these raw material deposits. Under the terms of an agreement signed in Moscow on 18 February, 5/ a Polish credit of 70 million rubles (\$78 million) will cover the delivery from 1966 to 1970 of machinery, equipment, and materials for production of potassium fertilizers at Soligorsk and for sulfuric acid plants. The USSR will repay the interest-bearing credit in 10 installments with deliveries of fertilizer, rising from 600,000 tons in 1970 to 1 million tons in 1975. Details of Satellite participation in the Kola Peninsula and Kingisepp projects are lacking, but several countries, including Bulgaria, reportedly will participate in the Kola undertaking, 6/ with Czechoslovakia, East Germany, Poland, and possibly Hungary as the evident participants in the Kingisepp scheme. 7/ Although Satellite participation in the development of the Kingisepp mine was noted in 1960, it is not known whether credits were extended at that time. 8/ Evidence now suggests that credit

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arrangements, possibly similar to those in the Soligorsk agreement, are involved in both the Kola Peninsula and the Kingisepp projects. 9/

Failure to increase output of fertilizer as rapidly as planned has plagued Soviet leaders for a number of years. In 1959-61 the plan to introduce new capacity for production of mineral fertilizer was fulfilled by only 44 percent. 10/ Again in 1962, in spite of the fact that Khrushchev himself requested increased emphasis on production of fertilizer at the March CPSU central committee plenum on agriculture, the lag in the installation of new capacity continued. 11/ It is significant that all three of the projects slated to receive Satellite aid were started by the USSR some years ago and have encountered construction delays and investment lags which have led to plan underfulfillment and unsatisfactory progress toward completion. 12/ The Soviet leadership, therefore, faced with continuing difficulties in expanding production of fertilizers, has decided to utilize Satellite investment funds.

The fact that the three projects to receive Satellite aid will be an important source of fertilizers for the Satellites indicates that they, as well as the USSR, have a vital interest in seeing that Soviet resources are developed rapidly. Because the Satellites have insufficient deposits of fertilizer raw materials (except potassium) and because the exploitation costs of their deposits are high, these countries were faced with the choice of either contributing to the Soviet construction effort or turning to the West for the supplies that will be needed over the next 10 to 15 years to boost stagnating agricultural production throughout the Bloc.

The Polish-Soviet agreement regarding the Soligorsk combine has been the most extensively publicized of the projects, but because agricultural production problems are similar throughout Eastern Europe, the reasons for Satellite interest in all three projects probably are very much the same. Under the agreement of 18 February, the 70 million rubles of Polish investment funds will ensure delivery to the USSR of a number of sulfuric acid plants and mining equipment. In addition, according to Polish Deputy Premier Jaroszewicz, these funds also will ensure delivery by the USSR of quantities of potassium fertilizers that

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will be sufficient to cover two-thirds of Poland's anticipated requirements for this material during the period up to 1980. East Germany, currently the largest Bloc producer of potassium salts, will supply the remainder of Poland's import requirements, which are expected to be four times greater in 1980 than at present. 13/

Although this type of joint investment credit has been widely publicized as one of the first steps toward increasing Bloc economic integration following the CEMA conference of June 1962 in Moscow, the subsequent revelation of such Satellite credits to the USSR was unexpected. Soviet and Polish officials have been the strongest proponents of joint investment projects, but their earlier statements seemed to imply that such coordination and aid would be largely intra-Satellite. 14/ Evidently the USSR, too, has found the investment assistance programs to be of direct interest (at least partly because of domestic investment problems), and its future participation in such ventures may be greater than had been originally anticipated.

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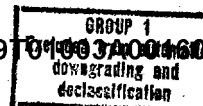
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